



Health Services
LOS ANGELES COUNTY

June 19, 2007

**Los Angeles County
Board of Supervisors**

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF AN AGREEMENT WITH
HEALTH MANAGEMENT ASSOCIATES**
(First District) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to sign a Consulting Services Agreement, substantially similar to Exhibit I, with Health Management Associates (HMA), for consultant services that will further enhance the LAC+USC Replacement Project, effective upon Board approval through November 30, 2007, for a total cost of \$272,400.

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

Robert G. Splawn, MD
Senior Medical Director

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
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*To improve health
through leadership,
service and education*

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving the recommended action, the Board is instructing the Director of the Department of Health Services (Department), or his designee, to sign an Agreement with HMA for consultant services to further enhance the LAC+USC Replacement Project, by providing for the implementation and completion of long-term and lower level care initiative.

FISCAL IMPACT/FINANCING:

The total cost for the consultant services Agreement with HMA is \$272,400. Funding is included in the Health Services Administration's Fiscal Year 2006-07 Final Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

In anticipation of the transition to the Replacement Hospital, a Clinical Redesign Project was established as a joint venture with the University of Southern California Keck School of Medicine. Since June 2005, planning efforts related to this project had been ongoing with HMA through a purchase order agreement with the County that expired in December 2005. Upon the expiration of the purchase order, HMA ceased working on the project.



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However, the Department deemed that additional work and an expanded scope of services was necessary to ensure a smooth transition of the clinical programs.

On May 9, 2006, your Board approved Agreement No. H-702029 with HMA for the provision of consultant services related to the reconfiguration of clinical and related services at LAC+USC Medical Center, effective March 9, 2006 through April 30, 2007. The Agreement provided for analyzing key areas of LAC+USC's operations and pinpointing efficiencies that would make the transition to the Replacement Hospital a smoother process.

HMA's prior agreement with the County expired on April 30, 2007. Near the end of the Agreement's term, Department staff learned that the maximum obligation set forth in the Agreement appeared to have been exceeded. In response, staff immediately notified HMA to cease services and undertook an accounting of the Agreement to determine what services had been provided and what costs were attributed to those services.

The result of that inquiry revealed that HMA had been asked to perform services that were not included in the Agreement's scope of work, and that the Department had reimbursed HMA for those services. As a result, the contract sum was overspent.

The Department intends, as part of its response to the Board's recent motion concerning retroactive contracts, to report more fully on this matter as to the costs involved and the work that was performed. Additionally, the Department intends to return to your Board with a recommendation that a short term, retroactive contract be put in place to remedy the cost overrun.

The Department has further determined a need to continue HMA's services related to: 1) the clinical redesign associated with the transition to the Replacement Hospital; 2) finalizing and implementing long-term and lower level of care initiatives to provide bed capacity outside LAC+USC for patients who do not need care in a tertiary hospital; 3) assisting in the implementation of the MACC at Martin Luther King, Jr.-Harbor in fulfillment of the MetroCare plan, and 4) continue facilitating the LAC+USC Clinical Redesign Steering Committee.

The Agreement may be terminated by County with 30 days written notice to Contractor.

County Counsel has approved Exhibit I as to use and form.

Attachment A provides additional information.

CONTRACT PROCESS:

The Department is recommending HMA for consulting services because of HMA's expertise and knowledge of the LAC+USC Replacement Project. HMA's involvement in the LAC+USC Replacement Project to this point make the firm the best option for the project. Because of the

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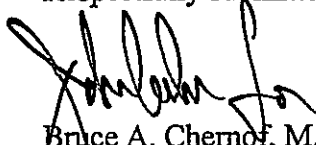
specialized consulting services and background knowledge required, the Agreement was not advertised as a contract opportunity on the Los Angeles County Online Website.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The Board's approval of the recommendation will provide for services that will further enhance the LAC+USC Replacement Project.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:mc/lvb
HMA/Renewal Board Ltr_lvb

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

SUMMARY OF AGREEMENT

1. TYPE OF SERVICE:

LAC+USC Replacement Project consultant services.

2. TERM:

Effective upon Board approval through November 30, 2007.

3. AGENCY ADDRESS AND CONTACT PERSON:

Health Management Associates (HMA)
180 North La Salle, Suite 2305
Chicago, Illinois 60601
Phone: (312) 641-5007
Fax: (312) 641-6678
Contact: Pat Terrell, Principal

4. FINANCIAL INFORMATION:

The total cost for the consultant services Agreement with HMA is \$272,400. Funding is included in the Health Services Administration's Fiscal Year 2006-07 Final Budget.

5. GEOGRAPHIC AREAS SERVED:

All Supervisorial Districts.

6. ACCOUNTABILITY FOR PROGRAM MONITORING AND EVALUATION:

Pete Delgado, CEO, LAC+USC Healthcare Network

John R. Cochran, III Chief Deputy

7. APPROVALS:

LAC+USC Healthcare Network: Pete Delgado, CEO

Network: John R. Cochran, III, Chief Deputy

Contracts and Grants: Cara O'Neill, Chief

County Counsel (as to form): Sharon Reichman, Principal Deputy